

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* TOWNSHIP OF NORWAY	County* DICKINSON	Type* TOWNSHIP	MuniCode* 22-1-040
Opinion Date-Use Calendar* Jun 30, 2008	Audit Submitted-Use Calendar* Sep 4, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input checked="" type="checkbox"/> ? \$ 222,837.00
General Fund Expenditure:	<input checked="" type="checkbox"/> ? \$ 186,868.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input checked="" type="checkbox"/> ? \$ 269,051.00
Governmental Activities Long-Term Debt (see instructions):	<input checked="" type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* KNOKE	Ten Digit License Number* 1101010481		
CPA Street Address* 301 STEPHENSON AVENUE	City* IRON MOUNTAIN	State* MI	Zip Code* 49801	Telephone* +1 (906) 774-0833
CPA Firm Name* FLEURY SINGLER & COMPANY	Unit's Street Address* N1732 MISSION STREET	Unit's City* VULCAN	Unit's Zip* 49892	

TOWNSHIP OF NORWAY, MICHIGAN

Financial Report

With Supplementary Information

March 31, 2008

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INDEPENDENT AUDITORS' REPORT

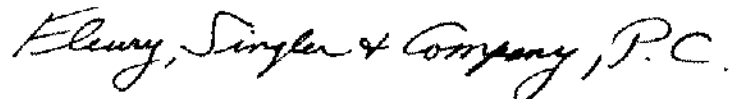
The Honorable Supervisor and Township Board
Township of Norway
Vulcan, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **TOWNSHIP OF NORWAY, MICHIGAN** as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of the **TOWNSHIP OF NORWAY, MICHIGAN** as of and for the year ended March 31, 2008, as displayed in the Township's basic financial statements. These financial statements are the responsibility of the **TOWNSHIP OF NORWAY, MICHIGAN's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund as well as each fiduciary fund type of the **TOWNSHIP OF NORWAY, MICHIGAN** as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

June 30, 2008

TOWNSHIP OF NORWAY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2008

Within this section of the Township of Norway, Michigan's financial report, the Township's management provides narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. The Township's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Please read this management's discussion and analysis in conjunction with the Township's financial statements.

Financial Highlights

- The Township's assets exceeded its liabilities by \$964,621 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 1. Capital assets of \$295,843 include property and equipment, net of accumulated depreciation.
 2. Net assets of \$358,657 are restricted and reserved for perpetual care.
 3. Unrestricted net assets of \$310,121 represent the portion available to maintain the Township's continuing obligations to citizens and creditors.
- The Township's governmental funds reported total ending fund balances of \$668,778 compared to the prior year ending fund balances of \$643,411, an increase of \$25,367 during the current year.
- During the year, program and governmental revenues totaled \$365,427 and governmental expenses totaled \$350,487.
- General fund revenues exceeded expenditures by \$35,969.
- Fire and roads fund revenues exceeded expenditures by \$10,847.
- Cemetery fund expenditures exceeded revenues by \$22,657.
- Perpetual care fund revenues exceeded expenditures by \$1,208.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Township also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Township's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall economic health of the Township would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Township infrastructure in addition to the financial information provided in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (continued)

The second government-wide financial statement is the **Statement of Activities**, which reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and intergovernmental revenues. Governmental activities include general government, sanitation, street lighting, recreation, public transportation, public safety, and cemetery services.

The Township's financial reporting entity includes the funds of the Township (primary government).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most important funds rather than the Township as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. All of the Township's funds are considered major funds in the current year.

The Township has two types of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements to assist in understanding the differences between these two perspectives.

Fiduciary Funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to Township programs. Fiduciary funds include a special assessment agency fund and a current tax collection fund.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budgetary comparison statements are included in the basic financial statements for the general fund, the fire and roads fund, and the cemetery fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Township as a Whole

Net assets of the current year are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Assets		
Current assets	\$ 678,172	\$ 159,935
Noncurrent assets	295,843	-
Total assets	974,015	159,935
Liabilities		
Current liabilities	9,394	31,726
Long-term liabilities	-	128,209
Total liabilities	9,394	159,935
Net assets		
Investment in capital assets	295,843	-
Restricted	358,657	-
Unrestricted	310,121	-
Total net assets	\$ 964,621	\$ -

Changes in net assets during the current year are as follows:

	<u>Governmental Activities</u>
Revenues	
Program revenue	
Charges for services	\$ 36,210
General revenue	
Property taxes	141,473
State shared revenues	140,619
Other	21,519
Interest	25,606
Total revenues	\$ 365,427
Program expenses	
General government	\$ 164,831
Sanitation	1,017
Street lighting	23,905
Recreation	4,958
Public transportation	12,239
Public safety	66,025
Cemetery	77,512
Total program expenses	\$ 350,487
Change in net assets	\$ 14,940

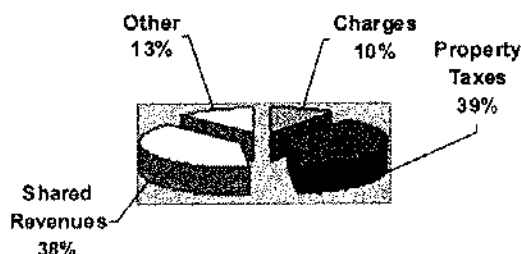
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Township as a Whole (Continued)

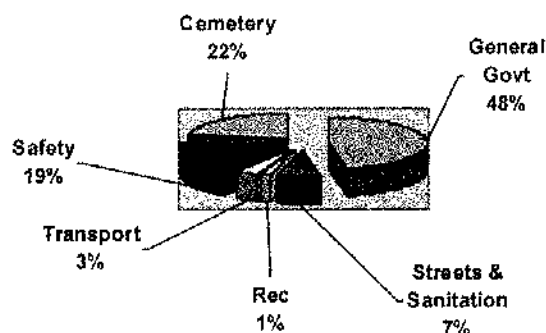
Graphic presentations of selected data follow to assist in the analysis of the Township's activities for the current year:

Governmental Activities

2008 Governmental Revenues



2008 Governmental Expenditures



The above charts do not include transfers.

Financial Analysis of the Township's Funds

Governmental Funds - The Township's general fund reported a fund balance of \$269,051, an increase of \$15,969 over prior year. The fire and roads fund reported a fund balance of \$36,853, an increase of \$10,847 over prior year. The cemetery fund reported a fund balance of \$4,217, a decrease of \$2,657 from prior year. The perpetual care fund reported a fund balance of \$358,657, an increase of \$1,208 over prior year.

Fiduciary Funds - The Township's special assessment agency fund reported \$135,929 due to the Norway Utilities Authority. The current tax collection fund reported \$24,006 due to other governmental units.

Fund Budgetary Highlights

The adopted general fund budget expected a reduction to fund balance for the fiscal year of approximately \$109,000. Over the course of the year, the Township amended the budget to account for events during the year; however, the overall net budget remained the same. Budgetary amendments were relatively minor. Actual results for the year were much more favorable than budgeted for. Instead of a budgeted decrease of approximately \$109,000, the actual activities resulted in an increase in fund balance of approximately \$16,000.

The fire and roads fund and cemetery fund also adopted budgets for the fiscal year. Each budget expected a net change in fund balance of \$0. Actual results were not significantly different from the net activities of these funds. Other financing sources were expected to cover the excess of expenditures over revenues. There were no amendments to these budgets during the year.

Capital Asset Administration

The Township's investment in capital assets, net of accumulated depreciation, for governmental activities as of March 31, 2008 was \$295,843. The only capital asset addition during the current fiscal year was a lawn tractor. Capital assets as stated in this annual financial report do not include prior year infrastructure items to be included such as sidewalks. Financial reporting in past years has not required infrastructure items to be included with capital assets. Recognizing the problem of having governmental units gather all of the required information, GASB has allowed smaller governmental units like the Township to report infrastructure assets on a prospective basis after adopting the new reporting standard. There were no infrastructure additions during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain the same. Employee wages, utility costs, road maintenance, and contracted fire services make up a significant portion of the Township's expenditures. The Township's 2009 budget includes \$16,000 for various improvements to the park, cemetery, town hall and other. The Township has also budgeted \$50,000 for an anticipated road project.

Contacting the Township's Financial Management

The financial report is designed to provide a general overview of the Township's finances and demonstrate the Township's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906) 563-9100.

TOWNSHIP OF NORWAY

STATEMENT OF NET ASSETS

MARCH 31, 2008

		Governmental Activities
Assets		
Cash and cash equivalents	\$	240,139
Certificates of deposit		410,810
Taxes receivable		12,581
Interest receivable		1,073
Due from other governments		13,569
Capital assets		<u>295,843</u>
Total assets		974,015
Liabilities and Net Assets		
Liabilities		
Accounts payable		5,407
Accrued wages		1,023
Due to other governments		5
Other		<u>2,959</u>
Total liabilities		<u>9,394</u>
Net assets		
Investment in capital assets		295,843
Restricted - reserved for perpetual care		358,657
Unrestricted		<u>310,121</u>
Total net assets		<u>\$ 964,621</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2008

		Program Revenues	Governmental Activities
	Expenses	Charges for Services	Net (Expense) Revenue and Change in Net Assets
Functions/Programs			
Governmental activities			
General government	\$ 164,831	\$ -	\$ (164,831)
Sanitation	1,017	-	(1,017)
Street lighting	23,905	-	(23,905)
Recreation	4,958	-	(4,958)
Public transportation	12,239	-	(12,239)
Public safety	66,025	-	(66,025)
Cemetery	77,512	36,210	(41,302)
Total governmental activities	<u>\$ 350,487</u>	<u>\$ 36,210</u>	<u>(314,277)</u>
General revenues			
Property taxes			141,495
State-shared revenues			140,619
Other			21,497
Interest			25,606
Total general revenues			<u>329,217</u>
Change in net assets			14,940
Net assets - Beginning of year			<u>949,681</u>
Net assets - End of year			<u>\$ 964,621</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

BALANCE SHEET GOVERNMENTAL FUNDS MARCH 31, 2008

	General Fund	Fire & Roads Fund	Cemetery Fund	Permanent Fund Perpetual Care	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 204,100	\$ 29,288	\$ 3,585	\$ 3,166	\$ 240,139
Certificates of deposit	53,746	-	1,522	355,542	410,810
Taxes receivable	5,016	7,565	-	-	12,581
Interest receivable	-	-	-	1,073	1,073
Due from other governments	13,569	-	-	-	13,569
Due from other funds	-	-	1,124	-	1,124
Total assets	\$ 276,431	\$ 36,853	\$ 6,231	\$ 359,781	\$ 679,296
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,010	\$ -	\$ 397	\$ -	\$ 5,407
Accrued wages	250	-	773	-	1,023
Due to other governments	5	-	-	-	5
Other	2,115	-	844	-	2,959
Due to other funds	-	-	-	1,124	1,124
Total liabilities	7,380	-	2,014	1,124	10,518
Fund balances					
Reserved for Perpetual Care	-	-	1,522	358,657	360,179
Unreserved - reported in					
General fund	269,051	-	-	-	269,051
Special revenue funds	-	36,853	2,695	-	39,548
Total fund balances	269,051	36,853	4,217	358,657	668,778
Total liabilities and fund balances	\$ 276,431	\$ 36,853	\$ 6,231	\$ 359,781	\$ 679,296

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS MARCH 31, 2008

Total Fund Balance - Total Governmental Funds	\$	668,778
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets \$585,416, net of accumulated depreciation of (\$289,573) used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet		295,843
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Net Assets - Governmental Activities	\$	964,621
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See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED MARCH 31, 2008

	General Fund	Fire & Roads Fund	Cemetery Fund	Permanent Fund Perpetual Care	Total Governmental Funds
Revenues					
Property taxes	\$ 56,401	\$ 85,072	\$ -	\$ -	\$ 141,473
State-shared revenues	137,901	2,718	-	-	140,619
Charges for services	-	-	32,600	-	32,600
Other	21,519	-	19,566	1,200	42,285
Interest	7,016	1,321	105	17,164	25,606
Total revenues	222,837	89,111	52,271	18,364	382,583
Expenditures					
Current					
General government	159,076	-	-	-	159,076
Sanitation	1,017	-	-	-	1,017
Street lighting	23,905	-	-	-	23,905
Recreation	2,870	-	-	-	2,870
Public transportation	-	12,239	-	-	12,239
Public safety	-	66,025	-	-	66,025
Cemetery	-	-	71,822	17,156	88,978
Capital outlay	-	-	3,106	-	3,106
Total expenditures	186,868	78,264	74,928	17,156	357,216
Excess of revenues over (under) expenditures	35,969	10,847	(22,657)	1,208	25,367
Other financing sources (uses)					
Operating transfers in	-	-	20,000	-	20,000
Operating transfers out	(20,000)	-	-	-	(20,000)
Total other financing sources (uses)	(20,000)	-	20,000	-	-
Net change in fund balances	15,969	10,847	(2,657)	1,208	25,367
Fund balances - Beginning of year	253,082	26,006	6,874	357,449	643,411
Fund balances - End of year	\$ 269,051	\$ 36,853	\$ 4,217	\$ 358,657	\$ 668,778

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 25,367
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	3,106
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds	<u>(13,533)</u>
Change in Net Assets - Governmental Activities	<u>\$ 14,940</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

MARCH 31, 2008

	Special Assessment Agency Fund	Current Tax Collection Fund
Assets		
Cash and cash equivalents	\$ 2,850	\$ 12,684
Certificates of deposit	133,074	-
Due from other governments	5	11,322
Total assets	135,929	24,006
Liabilities and Net Assets		
Liabilities		
Due to Norway Utilities Authority	135,929	-
Due to other governments	-	24,006
Total liabilities	135,929	24,006
Total net assets	\$ -	\$ -

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting policies of the Township of Norway, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Norway, Michigan.

REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) that are controlled by or dependent on its executive or legislative branches. The Township's major operations include cemetery, fire protection, public transportation, sanitation, recreation, street lighting, and general administration services. The Township has no component units at March 31, 2008.

Excluded from the reporting entity is the Norway Utilities Authority. A special assessment fund is included in the financial statements and is accounted for as a fiduciary fund. These monies are payable to the Norway Utilities Authority as part payment for bond principal and interest payments issued by the Authority. The Authority's governing board selects management staff, establishes budgets, and controls all aspects of its own operations.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Each governmental fund of the Township has been determined to be a major fund, as that term is defined by the Governmental Accounting Standards Board (GASB).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in the net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Property taxes and charges for services associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund - The general fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire and Roads Fund - The fire and roads fund accounts for revenues that are required to be expended for Township fire protection and road maintenance.

Cemetery Fund - The cemetery fund accounts for the revenues and expenditures associated with the operations of the community cemetery.

Perpetual Care Permanent Fund - The perpetual care permanent fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery. The permanent fund is used to report resources that are legally restricted to the extent that only earnings, no principal, may be used for purposes that support the reporting government's program.

The Township reports the following fiduciary funds:

Special Assessment Agency Fund - The special assessment agency fund is used to account for trust arrangements under which principal or interest benefit other governmental agencies. The funds included on the statement of fiduciary net assets (excluded from the government-wide financial statements) are payable to the Norway Utilities Authority (described above).

Current Tax Collection Fund - The current tax collection fund is used to account for the collection of property taxes by the Township that are remitted to various local governmental agencies and the Township itself. The fund is an agency fund; which is custodial in nature; that is, assets equal liabilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

ASSETS, LIABILITIES AND NET ASSETS

Cash and Cash Equivalents - Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Township. These include cash on hand and demand deposits.

Investments - Investments are stated at fair value. They include certificates of deposit with a maturity date of three months or greater at time of purchase.

Receivables and Payables - In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Receivables include property taxes and other related fees due from other local governments and interest receivable from certificates of deposit. Payables include amounts due to employees, local vendors, and other local governments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

Capital Assets - The Township's property, plant and equipment are stated at historical cost and are reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Capital assets are depreciated over the following estimated useful lives:

Buildings and building improvements	40 years
Land improvements	20 years
Vehicles	5 years
Machinery and equipment	5-10 years
Fixtures	10 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Township followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township supervisor submitted to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget included proposed expenditures and the means of financing them.
2. A public hearing was held at an announced special board meeting to obtain taxpayer comments.
3. The budget was legally adopted on March 30, 2007.
4. The Township Board authorizes all budgetary revisions throughout the fiscal year.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS

State statutes authorize the Township to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Township Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township has designated six financial institutions for the deposit of its funds. The Township's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several types of risk. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. At year-end, \$275,462 of the Township's bank balance of \$800,788 was exposed to custodial credit risk as follows:

F.D.I.C. and N.C.U.A insured	\$ 525,326
Uninsured and uncollateralized	140,207
Uninsured and collateral held by pledging	
Bank not in the Township's name	<u>135,255</u>
Total	<u>\$ 800,788</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of F.D.I.C. and N.C.U.A. insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

NOTE D - PROPERTY TAXES

Property taxes were levied by the Township on December 1 on the taxable valuation of property as of the preceding December 31. Property taxes become a lien on the property at December 1 and are considered due and payable the following February 28. Taxes become delinquent on March 1.

The 2007 state equalized valuation of the Township totaled \$51,569,439 (taxable value, as adjusted \$41,539,297), on which taxes levied consisted of 1.2892 Mills for operating purposes and 1.9444 Mills for the fire and roads.

The entire property tax administration fee is paid to the Township treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Governmental activities				
Land	\$ 128,815	\$ -	\$ -	\$ 128,815
Land improvements	148,325	-	-	148,325
Buildings	200,683	-	-	200,683
Machinery and equipment	66,994	3,106	-	70,100
Vehicles	28,854	-	-	28,854
Fixtures	8,638	-	-	8,638
Subtotal	582,309	3,106	-	585,415
Accumulated depreciation	276,040	13,533	-	289,573
Net capital assets	\$ 306,269	\$ (10,427)	\$ -	\$ 295,842

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 5,755
Cemetery	5,690
Recreation	2,088
Total	\$ 13,533

NOTE F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds and are composed of the following:

<u>Due from</u>	<u>Due to</u>	
Perpetual Care Fund	Cemetery Fund	\$ 1,124

Individual fund operating transfers for fiscal year 2008 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	
Cemetery Fund	General Fund	\$ 20,000

NOTE G - COMMITMENT

The Township Board has entered into an Inter-Governmental Fire Protection Agreement with the City of Norway. The City agrees to furnish fire department service protection within the Township. Fire protection expenditures under this agreement for fiscal year 2008 were \$55,984. The agreement renews annually and can be terminated by either party. The Township's contribution amount is recomputed annually based upon an agreed-upon formula.

TOWNSHIP OF NORWAY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 53,200	\$ 53,200	\$ 58,401	\$ 3,201
State-shared revenues	136,500	136,500	137,901	1,401
Interest	3,000	3,000	7,016	4,016
Other	15,000	15,000	21,519	6,519
Total revenues	207,700	207,700	222,837	15,137
Expenditures				
General government				
Township Board	17,116	17,116	15,790	1,326
Supervisor	13,560	13,560	13,460	100
Elections	1,100	3,500	2,872	628
Assessor	21,847	21,847	19,573	2,274
Clerk	14,560	14,560	14,435	125
Board of Review	1,700	1,700	1,651	49
Treasurer	18,360	18,960	18,948	12
Township Hall	17,883	17,883	15,607	2,276
Zoning	21,000	21,000	15,471	5,529
General government	47,400	47,400	41,269	6,131
Total general government	174,526	177,526	159,076	18,450
Sanitation - Sanitary landfill	1,200	1,200	1,017	183
Street lighting	22,000	24,000	23,905	95
Recreation	6,900	6,900	2,870	4,030
Capital outlay				
General	5,000	5,000	-	5,000
Parks and recreation	10,000	10,000	-	10,000
Total capital outlay	15,000	15,000	-	15,000
Total expenditures	219,626	224,626	186,868	37,758
Excess of revenues (under) over expenditures	(11,926)	(16,926)	35,969	52,895
Other financing (uses) - Operating transfers out	(96,584)	(91,584)	(20,000)	71,584
Net change in fund balance	(108,510)	(108,510)	15,969	124,479
Fund balance - Beginning of year	253,082	253,082	253,082	-
Fund balance - End of year	\$ 144,572	\$ 144,572	\$ 269,051	\$ 124,479

TOWNSHIP OF NORWAY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - FIRE AND ROADS FUND YEAR ENDED MARCH 31, 2008

	Original Budget*	Actual	Variance With Original Budget
Revenues			
Property taxes	\$ 80,200	\$ 85,072	\$ 4,872
State-shared revenues	-	2,718	2,718
Interest	800	1,321	521
Total revenues	81,000	89,111	8,111
Expenditures			
Public transportation	70,000	12,239	57,761
Public safety	64,200	66,025	(1,825)
Total expenditures	134,200	78,264	55,936
Excess of revenues (under) over expenditures	(53,200)	10,847	64,047
Other financing sources - Operating transfers in	53,200	-	53,200
Net change in fund balance	-	10,847	10,847
Fund balance - Beginning of year	26,006	26,006	-
Fund balance - End of year	\$ 26,006	\$ 36,853	\$ 10,847

* No amendment required during current fiscal year.

TOWNSHIP OF NORWAY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND YEAR ENDED MARCH 31, 2008

	Original Budget*	Actual	Variance With Original Budget
Revenues			
Charges for services	\$ 38,040	\$ 32,600	\$ (5,440)
Other	6,000	19,566	13,566
Interest	300	105	(195)
Total revenues	44,340	52,271	7,931
Expenditures			
Charges for services	79,724	71,822	7,902
Capital outlay	8,000	3,106	4,894
Total expenditures	87,724	74,928	12,796
Excess of revenues (under) expenditures	(43,384)	(22,657)	20,727
Other financing sources - Operating transfers in	43,384	20,000	(23,384)
Net change in fund balance	-	(2,657)	(2,657)
Fund balance - Beginning of year	6,874	6,874	-
Fund balance - End of year	\$ 6,874	\$ 4,217	\$ (2,657)

* No amendment required during current fiscal year.

To the Honorable Supervisor and the Township Board
of the Township of Norway

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Norway as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Lack of expertise in financial accounting and reporting

The Township has requested that we prepare their financial statements and related notes to the financial statements. We identified that the Township does not have an employee or other individual with suitable skill to prepare the financial statements or to review the disclosure checklist in conjunction with the financial statements prepared by the auditors to ensure propriety and completeness of the financial statements and footnotes. SAS No. 112 requires (in effect) that any organization under audit needs to have enough expertise in their control environment to properly prepare the financial statements (including notes to the financial statements). Although the Township is "technically" deficient under SAS No. 112, we believe that this issue in itself denotes no negative implications concerning the Township.

Deposits and Investments

We noted that the Treasurer has authority to roll over matured CD's or acquire new CD's without specific Board approval. Although the Treasurer usually brings this to the Board and it is documented in the Board minutes, it is not required. We recommend that the Treasurer receive Board approval prior to rolling over or acquiring new CD's and that this be documented in the Board minutes.

We noted that one new bank account was opened during the year and four bank accounts were closed during the year. Although the Board did approve these actions verbally, it was not documented in the Board minutes. We recommend that all important banking transactions be documented and approved in the Board minutes.

In addition, we noted certain matters involving internal control and other operational matters that are presented for your consideration. Our comments regarding other operational matters are summarized as follows:

Cash balances

The Township has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. Although some are collateralized, others are not collateralized. We recommend that the Township consider using additional financial institutions in order to minimize risk. Alternatively, the Township may wish to discuss with the present financial institutions the possibility of having all of its deposits collateralized.

Journal Entries

We noted that unusual or significant non-recurring entries are not being reviewed and approved by a management-level individual. All unusual or significant non-recurring entries should be approved, possibly by the Township's Supervisor, and this approval should be documented.

Record maintenance

We noted certain disbursements were lacking proper supporting documentation. We recommend all disbursements have proper invoices or other supporting documentation attached in order to properly record the transaction and to avoid duplicate payment of bills.

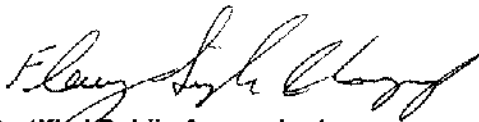
The Township's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. The Township's response is attached to this letter.

The above letter includes more discussion of internal control matters than in the past. Much of the above is due to the implementation of SAS No. 112, which requires additional internal control matters be communicated in writing. Fleury, Singler & Company received excellent cooperation from the Township Supervisor and accounting personnel.

This letter does not affect our report dated June 30, 2008 on the financial statements of the Township of Norway, Michigan. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience and would be happy to assist the Township in implementing the above recommendations.

This communication is intended solely for the information and use of the Board and management of the Township of Norway and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
June 30, 2008

Lack of expertise in financial accounting and reporting

The Township recognizes its lack of expertise in financial accounting and reporting. Thus, we have requested our auditors to prepare our financial statements and related footnotes. It would be an economical hardship to hire another outside accounting firm to prepare our financial statements and related footnotes. We believe most small municipalities are in the same position and this is common practice.

Deposits and Investments

The Board changed its policy to require the Treasurer to receive Board approval prior to “rolling over” or acquiring new certificates of deposit in order to properly document the transactions in the Board minutes.

The Board has changed its policy to require Board approval for all significant banking transactions prior to occurrence in order to properly document the transactions in the Board minutes.

Cash Balances

The Township will review all cash balances with its financial institutions and determine whether to transfer funds to additional financial institutions and/or investigate collateralization possibilities.

Journal Entries

The Township has changed its policy to require the Supervisor to approve and document any unusual or significant non-recurring journal entries.

Record Maintenance

The two disbursements lacking proper supporting documentation were an isolated incident. The Township is conscious of the need for proper supporting documentation as invoices and prepared checks are presented at the Board meeting each month for approval. Checks are signed at the meetings with a dual signature requirement.